

**TIONÓL RÉIGIÚNACH
AN DEISCIRT AGUS AN OIRTHIR**

Sráid Uí Chonaill,
Port Láirge, Éire.



**SOUTHERN & EASTERN
REGIONAL ASSEMBLY**

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Ms. Colette Byrne,
Director of Services,
Planning & Environment,
Waterford City Council,
Menapia Building, The Mall,
Waterford.

11th November 2010

Re: Waterford City Council's Gateways & Hubs Fund; Claim 1

Dear Ms. Byrne,

With regard to Waterford City Council's first Gateways & Hubs Fund claim for an amount of €2,936,088.24 I am please to inform you that €2,683,696.24 has been passed for payment. At a 50% grant rate this results in an ERDF payment to Waterford City Council of €1,341,848.12. The details of the amounts omitted are included in the attached spreadsheet however I will outline below main findings which resulted in the reductions.

As you are aware an initial examination of the claim identified that 2 payments in error had been included in the claim; one payment to [REDACTED] for €29,040 which had been categorized as "ineligible, professional fees" and another payment to [REDACTED] of €4,400 categorised as "Cost benefit analysis". The deduction of these two figure resulted in a revised claim (as submitted) of €2,902,648.24.

A detailed Article 13 spot check was then carried out on the claim by the Regional Assembly during July which raised a number of queries. The responses to these queries were received on the 10th October and following the assessment by the Regional Assembly the following items of expenditure have been omitted from claim 1:

1) Publicity

Some items of expenditure included in claim 1 did not comply with Publicity Guideline eg. Relevant logos not used /no reference made to ERDF funding.
This resulted in a reduction of €4,859.32.

2) Professional Fee

A number of items of expenditure included in claim 1 had been categorised as "professional fees". A specific condition (Annex 1) in the Grant Agreement outlines that "all professional fees in respect of both approved projects are deemed ineligible for co-financing and shall be excluded from the project". With this in mind the following items of expenditure have been deducted from the claim. However if Waterford City Council can justify in detail the necessity of each individual item of expenditure to the project, we can review these costs again in a subsequent claim.



Ireland's EU Structural Funds
Programmes 2007 - 2013
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Payee	Activity	Amount €
[REDACTED]	Scoping study	€9,932.63
[REDACTED]	Feasibility Study	€3,037.50
[REDACTED]	Assessment of asbestos	€1,701
[REDACTED]	Structural survey	€3,872
[REDACTED]	Noise Survey	€3,968.80
[REDACTED]	Process Survey	€3,630
[REDACTED]	Atex Survey	€1,185.80
Total		€27,327.73

This resulted in a reduction of €27,327.73.

3) Salary Allowances

- o Travel allowance in respect of [REDACTED] is ineligible and therefore deducted from the claim.

This has resulted in a reduction of €667.41.

- o It is not clear whether other smaller allowances eg. eating on site allowance, are included in the claim within the costs for staff (other than [REDACTED]). Therefore in consultation with Waterford City Council and in order not to delay the processing of the claim on hand, it was decided to deduct the overall salary costs for staff (other than [REDACTED]) and review these costs prior to submission of your next claim. If it is proven that these costs are eligible, they can be recouped in a subsequent claim.

This has resulted in a reduction of €4,540.76

4) Contracts novated into the [REDACTED]

- o Tender Package 1A – Scope changes to original contract (€359,000 + VAT)
Despite a breakdown of these costs being provided, details have not been given of Contract / Suppliers or other quotations received. I note you have outlined that all scope of work changes to contracts were valued using original tender rates or obtaining 3 quotations. These two processes vary greatly and are highly dependant on the value of the works carried out. From the information provided it appears that one or more supplementary contracts (whether or not formalised in writing) were awarded without adequate competition. Therefore, in line with the COCOF Guidelines for determining financial corrections to expenditure Co-Financed by the Structural Funds for non-compliance with Public Procurement a 25% correction is to be applied to the additional works.

This has resulted in a financial correction of €101,866.25 (25% of €407,465)

- o Tender Package 4A – Timber, windows, doors & screens - [REDACTED]
Due to the value of the contract €125,162.12 (including vat) which is in excess of €50,000 threshold, this contract should have been nationally advertised. As it was not, there is a financial correction of 25% of the value of the contract, as per explanation above.

This has resulted in a financial correction of €31,290.53 (incl vat).

5) Supervision of Works

No tendering took place for awarding of the supervision of site contract, which was a direct award. We note your response but would maintain that this contract should have been nationally tendered or a recruitment competition should have taken place in order to ensure equality of opportunity and fairness.

Therefore costs associated with supervision of works (€48,400) are deducted from the claim.

6) Other issues

Please note the following areas of clarification still need to be resolved prior to processing your next claim:

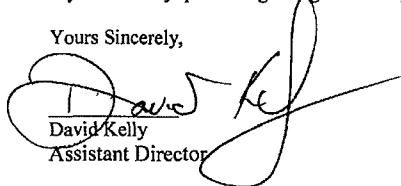
- VAT – In order to definitely resolve the issue regarding VAT, we will need to get a copy of the letters sent by PWC to Revenue dated 13th January 2010 and 25th February 2010 in order to ascertain what queries are being addressed in the letter from Revenue dated 1st April 2010.
- Revenue: rent from WWRD – to date we have not received a detailed breakdown of operational costs based on realistic figures showing costs in excess of the rental income. This will need to be resolved satisfactorily prior to drawdown of the next claim or the rental income will need to be netted off against claim 2.

Taking the above into account, this has resulted in an overall deduction of €218,952 in the current claim.

We will now finalise the paperwork to make a drawdown of funds from the Department of Finance in this regard, which is expected to take approximately 10 working days. Once this money is received from the Department of Finance, we will of course forward this to you immediately.

If you have any queries regarding this letter, please do not hesitate to contact me.

Yours Sincerely,


David Kelly
Assistant Director